

CITY OF WOONSOCKET

INVESTMENT BOARD

MINUTES OF THE MEETING OF June 30, 2011

The City of Woonsocket Investment Board met on Thursday, June 30, 2011.

The following members were in attendance: Roger Begin, William Tsonos, and Roland Michaud.

Also attending was: Thomas M. Bruce III, Diane M. Ciullo, Philip M. Gorgone, P-Solve Asset Solutions, Michael Lynch, P-Solve Asset Solutions, and Justyna Mietelska, P-Solve Asset Solutions.

The meeting was called to order at 8:35am.

Review and Approval of Minutes

A motion was made by Roger Begin to approve the minutes of the May 26, 2011 meeting, with one correction to the date of the prior minutes, seconded by Roland Michaud. Motion carried by unanimous voice vote.

Review of Investment Activity by P-Solve Asset Solutions

The attached information entitled May 2011 QTD Estimate, was provided by P-Solve manger Philip Gorgone. At May 31, 2011 the Pension Fund had the total amount of 62.6 M. This amount represents approximately a \$454,000.00 increase compared to March 31, 2011. The Portfolio total represents a QTD investment performance of 2.1% as compared to the Policy benchmark of 2.0%.

Mr. Gorgone provided an opinion of his firm that the annual contributions by the City were not sufficient to meet future pension obligations.

The Investment Board members also expressed their opinion that at some point within the next nine years, it will be likely that the Pension Fund will be totally depleted.

The projection of inadequate funding according to Mr. Gorgone is compounded by the fact that our Actuarial Valuations have a higher than realistic assumed rate of return of 8.25%. He indicated that in addition to the need of the Employer contribution to drastically increase, the assumed rate of return needed to correctly reflect an asset allocation designed to maximize the life of the Pension Fund.

Discussion of Investment Strategies and P-Solve Recommendations

The Board discussed a potential transfer of the Municipal Pension system to the Rhode Island State Pension system. Finance Director Bruce indicated that the City Administration with the help of the

Investment Board attorney, when engaged, will be working with the Office of the General Treasurer to investigate opportunities and the related cost of transferring the system.

The discussion did emphasize that the State transfer, at a yet to be determined cost, may effectively manage the future Pension Obligation for the City. However; in the mean time, the Investment Board requires complete recommendations from P-Solve in order to approve optimal Portfolio asset allocation and the appropriate level of risk. After discussion regarding the current asset allocation Mr. Gorgone agreed to compile and provide written guidelines regarding the target portfolio weights of equities, cash, bonds, and the dynamic asset allocation.

Board Chairman Begin remarked that the City Council and Administration must continue to realize the Investment Board will insure that all investment decisions will be made in order to maximize the life of the Pension Fund.

Mr. Begin continued to remark that our Investment Managers will render the asset allocation decisions, this task is not the job of the Board. The Board will continue to approve investment decisions without the consideration of City employer contributions. The track record of the City has in regard to contributions been too uncertain to base any type of future assumption.

Additional actuarial information was discussed. The Board requested that the Plan actuaries of USI provide data regarding various asset allocations. Their request included an indication of the actual rate of return that should be assumed at each level of equity vs. fixed income amounts (ie: 70–30 equity/fixed, 60-40, 50-50).

The Board also asked that the Finance Director provide P-Solve and USI the following amounts of estimated employer annual contributions:

until FY 2012 – 2013 – the city will contribute \$1M

FY 2014 – 2016 - the city will contribute \$1.5M

FY 2017 and beyond - the city will contribute \$3 M

These amounts were requested to be placed in the actuarial model and also to be utilized by P-Solve in their analysis.

The Board asked Mr. Bruce to direct USI to provide data regarding when the Pension payroll will reach maximum peak annual amount. Also, it was requested that the pension obligation be calculated using an assumption of simple COLA vs. the current compounded COLA benefit structure.

The Board requested P-Solve to formulate revisions to the Investment Policy. The revisions included further diversification by sustaining a 25% level of Portfolio portion regarding the tactical dynamic asset

allocation. Mr. Gorgone indicated he will recommend revised asset allocation values and based on prevailing investment rates the values that he recommends can be based upon an optimal level of risk at any given time.

Discussion of Legal Counsel - RFQ Process

Chairman Begin gave approval of RFQ and requested Mr. Bruce move forward with bid process.

The motion to adjourn was made by Chairman Begin, seconded by William Tsonos. Motion carried by unanimous voice vote.

Meeting adjourned at 10:00 am.